

OAK HARBOR SCHOOL DISTRICT No. 201
Island County, Washington
September 1, 1995 Through August 31, 1996

Schedule Of Findings

1. Internal Controls Over Associated Student Body (ASB) Funds At The Oak Harbor High School Student Store Need Improvement

Our audit of the internal controls and financial records of the student-run Oak Harbor High School Student Store revealed the following control weaknesses described in items a through c below. Despite clear direction from district administration and recommendations made in past audits, the student store advisor failed to incorporate the necessary internal controls into the student store procedures.

a. Lack of controls over cash

Controls over handling the cash collected in the student store needs improvement. The student store advisor has sole custody over the daily cash collections from the store before the students count the cash and reconcile the total to the cash register information. When the store advisor has sole custody of the daily receipts, the accountability for the money is lost and management cannot ensure that all money is deposited intact.

We recommend that accountability for the daily collections be retained by securing the money in a sealed envelope until it can be counted and reconciled.

b. Inadequate physical controls over inventory

Inventory control over items sold outside of the student store needs improvement. Students are allowed to take and sell sweatshirts outside of the student store and no procedures are followed to track the inventory and cash collected. Without proper controls, the students' store advisor is unable to ensure all unsold inventory is returned to the store and moneys are collected and deposited.

We recommend district officials establish procedures for the tracking of inventory taken and sold outside of the student store.

c. Lack of timely accounting records and reports

Several reports for the student store, including the inventory reconciliation, are required to be completed monthly. Our visit to the student store in January 1997, disclosed that none of the required monthly reports had been completed for the 1996-1997 school year which commenced September 1, 1996. The "Inventory Reconciliation Report" calculates the expected revenue for the month and provides a comparison with the actual revenue. Without this reconciliation,

district administration cannot be sure that all moneys are being collected and deposited.

District administration is aware of these weaknesses and has issued directives to its staff to correct and/or strengthen the identified weaknesses. Specifically:

Memoranda dated June 9, 1993, from Assistant Business Manager Renee Wolfgang to George Way, Student Store Advisor states in part:

There are several Oak Harbor High School Student Store bookkeeping reports that are due to the business office on a monthly basis. I cannot stress enough that the timeliness and accuracy of these reports is crucial. I will expect the following reports in my office by the 15th of each month: Physical Inventory, Monthly Sales Summary, Reconciliation and Copy of Quarterly Excise Tax Return.

Memoranda dated March 3, 1995, from Superintendent Dr. Rick Schulte to Alerd Johnson, Vocational Director also states in part:

. . . the auditor recommends that we should do a unit inventory reconciliation on a monthly basis . . . it is most important for the reports to be completed in a timely fashion and for the unit inventory to be done in a manner that can help us reduce the shortages.

We recommend that all required reports be completed in a timely manner. We further recommend that the inventory reconciliation report be used to compare the expected revenue with the actual revenue collected for the month.

Auditee's Response

The following actions have been implemented:

- 1. **A. Lack of control over cash.** Since the audit, the high school has purchased locking cash drawers to be used for the student store cash registers. At the end of each day, the drawers are removed, under the supervision of the two adults in charge: the student store advisor and the instructional assistant. The drawers are locked and placed in the high school safe until they can be taken to the classroom where the money is counted. We chose this method versus the sealed envelope which was being used; we feel it is a safer way of transporting the money. The key to the drawers is with the instructional assistant with a backup key in the principal's secretarial office.*
- B. Inadequate physical control over the inventory.** I have attached a copy of an inventory sheet that the high school has developed and are beginning to use when students remove items from the student store to sell. The inventory sheets will be monitored by the student store advisor and instructional assistant and will become a component of the monthly accounting report.*
- C. Lack of accounting records report.** An instructional assistant has been hired for 30 minutes a day, five days a week, and eight additional hours a month to assist with the monthly report, including inventory reconciliations. The timely reporting procedures will include the following reports and timelines:*

Daily sales and purchases report weekly
Inventory report the last day of each month
Preliminary report within one week of the new month
Final Report within 30 days of the Inventory Report

The student store advisor will review all reports for reasonableness before they are submitted to the high school bookkeeper. The high school bookkeeper will have a schedule and will mark off the reports as they are received. Late reports will be reported to the vocational director and the high school principal within 24 hours of the deadline of the report.

The student store advisor, who is in charge of the student store, has indicated a lack of time on his part for completing the required reports. The extra help should allow the staff involved to comply with the requirements outlined in the finding.

Auditor's Concluding Remarks

We would like to thank the school district's business director for her response to our report finding. Based upon the response, we believe the issue delineated in our report is being addressed. We will review this area in our subsequent audit.

We would also like to take this opportunity to express our appreciation for the assistance and cooperation we received throughout the audit.